

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

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| IN RE: EXECUTIVE ORDERS 8 AND 9 REVISIONS TO CHAPTERS 16, 18, 23, 31, 32, 33, AND 34 | DOCKET NO. RMU-02-10 |
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ORDER COMMENCING RULE MAKING

(Issued December 6, 2002)

Pursuant to the authority of Iowa Code §§ 476.1, 476.1A, 476.1B, 476.1C, 476.2, 476.9, 476.16, 476.18, 476.71, 476.74, 476.77, and 17A.4, the Utilities Board (Board) proposes to adopt the amendments attached hereto and incorporated herein by reference in this order. On September 14, 1999, Governor Vilsack issued Executive Orders 8 and 9 to begin a comprehensive review process of all agency rules using the criteria of need, clarity, intent, and statutory authority, cost, and fairness, and whether the rules are consistent with the principles contained in Executive Order 9. The Board was also required to review any rules routinely waived by the Board and to determine if the rules can be redrafted so routine waivers are not necessary. The Board, on February 23, 2000, issued an order in which it directed that a review of the Board's administrative rules be conducted by Board staff.

Based upon a portion of that review, the Board sent proposed changes to interested parties for comment. Comments were received from Alliant Energy

Corporation (Alliant), the Iowa Association of Electrical Cooperatives (IAEC), the Iowa Association of Municipal Utilities (IAMU), MidAmerican Energy Company (MidAmerican), the Consumer Advocate Division of the Department of Justice (Consumer Advocate), and Peoples Natural Gas Company, Division of UtiliCorp United Inc., n/k/a Aquila, Inc., d/b/a Aquila Networks. The Board subsequently reviewed those comments and then sent the proposed revisions to 199 IAC chapters 16, 18, 23, 31 32, 33, and 34 to the Governor's office for review. The proposed revisions have been returned to the Board for publication in the Iowa Administrative Bulletin. This rule making, identified as Docket No. RMU-02-10, addresses the proposed revisions to the above-cited chapters of the Board's rules.

Many of the proposed revisions are updates of references or revisions to improve the clarity of the rules. The updating and clarification is particularly evident in chapter 16. Chapter 16 contains the Board's adopted uniform system of accounts for public utilities regarding the manner in which electric, gas, and water utilities are to maintain their books and records for accounting purposes. This chapter includes specific accounts adopted by the Board so that the utilities will report certain activities in a rate case in the appropriate account. These activities consist of the costs of promotional practices, miscellaneous income deductions, political advertising, promotional advertising, institutional or goodwill advertising, rate justification advertising expenses, conservation advertising, environmental advertising, informational consumer advertising, load factor advertising, and miscellaneous general.

The Board is proposing to reformat the promotional and advertising accounts in 199 IAC 16.2(7), 16.2(8), 16.3(7), and 16.3(8) to conform with guidelines from the Iowa Code Editor's office. The Board is proposing additional changes to reflect changes in the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA) for water utilities. The proposed revisions to water utilities' accounting practices are reflected in 199 IAC 16.4, 16.4(1), and 16.4(2).

Chapter 18 provides information about the location and availability of records for electric, gas, and water utilities. All records required by any rules of the Board shall be kept within the state of Iowa unless otherwise authorized by the Board. These records shall be made available at the utility's principle place of business within the state during normal business hours, unless otherwise authorized by the Board. This chapter also includes a list of records to be maintained at the utility's principal office for Iowa operations.

Most of the proposed revisions to chapter 18 are to update references to federal rules while others are made to clarify the records that regulated utilities must maintain. The Board has proposed changes in 18.4 to indicate that the record keeping requirements only apply to rate-regulated rural electric cooperatives.

Chapter 23 contains the Board's rules requiring electric, gas, and water utilities to file annual reports with the Board. Annual reports are to be filed on or before April 1 of each year. Also if a utility ceases operations through merger or sale of its plant during the calendar year, each utility involved in the transaction shall file within 90 days a separate annual report covering the portion of the calendar year it

operated in Iowa. The proposed revisions to chapter 23 are for updating references and clarification.

Chapter 31 contains the Board's rules requiring public utilities to file annually, on or before June 30, verified copies of all new affiliate contracts, or arrangements or other similar transactions and modifications or amendments to existing contracts or arrangements, or similar transactions. If there have been no new activities in the items listed above, the public utility shall file a statement to that effect. The Board is proposing revisions to chapter 31 for updating and clarification. In addition, the Board is proposing to allow the utility to file an executive summary of contracts with affiliates rather than the entire contract. The Board will then have the option of requesting the entire contract if it is needed for further review.

Chapter 32 contains the Board's rules regarding reorganization. Chapter 32 requires any person who intends to acquire, sell, lease, or otherwise dispose of the whole or any substantial part of a public utility's assets or purchase, acquire, sell, or otherwise dispose of the controlling capital stock of any public utility to file a proposal for reorganization. The Board has proposed updates and clarifications to chapter 32 and has proposed revisions to subrules 32.4(3) and 32.4(5) to make more explicit the Board's desire for information on credit and service quality.

Chapter 33 contains the Board's rules requiring a utility that meets the filing threshold to file a cost allocations manual. The threshold is met when a utility's revenues recorded in Federal Energy Regulatory Commission (FERC) accounts 415 and 417 equals 3 percent of a utility's operating revenues recorded in FERC accounts 400. The Board has proposed updates and clarifications to chapter 33.

Chapter 34 contains the Board's rules requiring a public utility that engages in a systematic marketing effort, other than incidental or casual marketing, to promote the availability of a non-utility service to make certain services available to competitors. The Board is proposing updates and clarifications to chapter 34.

IT IS THEREFORE ORDERED:

1. A rule making proceeding identified as Docket No. RMU-02-10 is commenced for the purpose of receiving comments on the proposed rules in the notice attached hereto and incorporated herein by reference in this order.

2. The Executive Secretary is directed to submit for publication in the Iowa Administrative Bulletin a notice in the form attached to and incorporated by reference in this order.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 6th day of December, 2002.

UTILITIES DIVISION [199]

Notice of Intended Action

Pursuant to Iowa Code sections 476.1, 476.1A, 476.1B, 476.1C, 476.2, 476.9, 476.16, 476.18, 476.71, 476.74, 476.77, and 17A.4 (2001), the Utilities Board (Board) gives notice that on December 6, 2002, the Board issued an order in Docket No. RMU-02-10, In re: Executive Orders No. 8 and 9 Revisions to Chapters 16, 18, 23, 31, 32, 33, and 34, "Order Commencing Rule Making." The proposed revisions are the result of a review of Board rules required by Executive Orders 8 and 9 issued by Governor Vilsack on September 14, 1999. The executive orders required the Board to conduct a comprehensive review of all agency rules using the criteria of need, clarity, intent, and statutory authority, cost, and fairness, and whether the rules are consistent with the principles contained in Executive Order 9. The order also required the review of any rules routinely waived by the Board to determine if the rule can be redrafted so routine waivers are not necessary.

The procedures used in the review of the chapters listed in the caption and the reasons for the proposed changes are stated in the "Order Commencing Rule Making." That order can be found on the Board's web page at www.state.ia.us/iub.

Pursuant to Iowa Code sections 17A.4(1)"a" and "b," any interested person may file a written statement of position pertaining to the proposed amendments. The statement must be filed on or before January 31, 2003, by filing an original and ten copies in a form substantially complying with 199 IAC 2.2(2). All written statements

should clearly state the author's name and address and should make specific reference to this docket. All communications should be directed to the Executive Secretary, Utilities Board, 350 Maple Street, Des Moines, Iowa 50319-0069.

No oral presentation is scheduled at this time. Pursuant to Iowa Code section 17A.4(1)"b," an oral presentation may be requested or the Board on its own motion after reviewing the statements may determine that an oral presentation should be scheduled.

These amendments are intended to implement Iowa Code sections 476.1, 476.1A, 476.1B, 476.1C, 476.2, 476.9, 476.16, 476.18, 476.71, 476.74, 476.77, and 17A.4.

The following amendments are proposed.

Item 1. Amend rule 199—16.1(476) as follows:

199—16.1(476) Accounting—general information.

16.1(1) Application of rules. These rules shall apply to any utility operating within the state of Iowa under the jurisdiction of the board ~~and are made~~ pursuant to Iowa Code chapter 476, subject to the following conditions:

a. ~~If unreasonable hardship to the utility or to a customer results from the application of any rule herein prescribed, application may be made to the board for modification of the rule or the temporary or permanent exemption from its requirements.~~ A utility may request a waiver of any of the rules in this chapter by filing a request for waiver pursuant to 199 IAC 1.3.

b. The adoption of these rules shall in no way preclude the board from altering or amending them, or from making such modifications with respect to their application as may be found necessary to meet exceptional conditions.

c. These rules shall in no way relieve any utility from any of its duties under the laws of this state.

~~199—16.1(3) *Implementation of rules.* These rules shall be effective on January 1, 1978. However, any utility may earlier, at its option and with prior notification to the board implement the provisions of these rules in lieu of the rules hereby superseded.~~

Item 2. Amend rule 199—16.2 as follows:

199—16.2 Uniform systems of accounts—electric. The uniform systems of accounts for public utilities and licenses subject to the provisions of the Federal Power Act, ~~parts~~ 18 CFR Part 101 and 104 published in the Federal Energy Regulatory Commission's rules and regulations, in effect on April 1, 2000, ~~April 1, 1973, together with amendments thereto issued through February 2, 1977, and the January 1, 1999, January 1, 1978,~~ uniform system of accounts for rural electric cooperatives prescribed for electric borrowers of the ~~Rural Electrification Administration~~ Rural Utilities Services as applicable, are adopted with the following modifications:

16.2(1) Definition 7 is changed to read: ~~"'Commission,' 'Commission,'"~~ "'Commission,' 'Commission,'" means the ~~Iowa state utilities~~ board except where reference is made to the licensing authority of the Federal Energy Regulatory Commission ~~(as in Definitions 19 and 24) (as in Definitions 22 and 27),~~ where ~~'Commission'~~ Commission shall mean the Federal Energy Regulatory Commission. ~~Commission."~~

16.2(2) Definition ~~26-29~~ is changed to read: ~~“Public Utility,”~~ “Public Utility” means any natural or legal person, or other entity, defined as a public utility and made subject to the authority of the ~~Iowa state utilities~~ board by Iowa Code section 476.1.”

16.2(3) Reserved. ~~General instruction 1-A of the uniform system of accounts for electric utilities is changed for Class D electric utilities to read: “Utilities having annual electric operating revenue of less than \$150,000.”~~

16.2(4) General instruction 1-B of the uniform systems of accounts for electric utilities is modified by adding the following sentence: “Utilities subject to rate regulation by the board shall keep all the accounts of these systems of accounts which are applicable to their affairs, and utilities not subject to rate regulation shall keep the accounts of these systems of accounts for operating revenues only.”

16.2(5) General instruction 1-D of the uniform systems of accounts for electric utilities is modified by adding the following sentence: “It is recommended but not required that electric utilities not subject to rate regulation keep all applicable accounts ~~as recommended for Class A, B, C, and D utilities~~ in accordance with the Federal Energy Regulatory Commission uniform system of accounts 18 CFR Part 101.”

16.2(6) General instruction 2-D of the uniform systems of accounts for electric utilities is modified by adding the following sentence: “This shall not prohibit the electric utilities from using such additional accounts as they are required or permitted to keep for their reporting other regulatory authorities or to their stockholders providing the board is notified of the nature, amount and purpose of such accounts

in the annual report to the board and at such other times a may be requested by the board.

16.2(7) The definitions for the uniform system of accounts for electric utilities, when used in account 424, "Promotional Practices," are modified to include the following definitions:

~~50~~a. The word "*affiliate*" shall mean any person doing business in this State who directly or indirectly controls or is controlled by or is under common control with, a public utility.

~~51~~b. The words "*appliance or equipment*" shall mean any device, including a fixture, which consumes electric energy and any ancillary device required for its operation.

~~52~~c. The word "*consideration*" shall mean any cash, donation, gift, allowance, rebate, bonds, merchandise (new or used), property (tangible or intangible), labor, service conveyance, commitment, right or other thing of value.

~~53~~d. The word "*financing*" shall include acquisition of equity or debt interests, loans, guarantee of loans, advances, sale and repurchase agreements, sale and lease back agreements, sales on open account, conditional or installment sales contracts, or other investment or extensions of credit.

~~54~~e. The word "*person*" shall include an individual, architect, builder, engineer, subdivider, developer, dealer, group, firm, partnership, corporation, cooperative, association, or other organization, but not including state or local political subdivisions or municipal corporations.

~~55~~f. The words "*public utility*" or "*utility*" shall include persons defined to be public utilities in Iowa Code section 476.1.

~~56~~g. The words "*promotional practices*" shall mean any consideration offered or granted by a public utility or its affiliate to any person for the purpose, express or implied, of inducing such person to select or use the service or additional service of such utility, or to select or install any appliance or equipment designed to use such utility service; provided that the words "promotional practices" shall not include the following activities:

~~(a)~~(1) Providing repairs and service to appliances or equipment of customers of a public utility in an emergency or to restore service or to prevent hazardous conditions or service interruptions.

~~(b)~~(2) Inspection and adjustment of appliances or equipment by a public utility.

~~(c)~~(3) Repairs and other maintenance to appliances or equipment by a public utility that could be performed by an independent appliance dealer or service shop if charges are at cost or above.

~~(d)~~(4) Providing service, wiring, piping, appliances, or equipment in accordance with tariffs, rules or regulations of a public utility on file with and approved by the board.

~~(e)~~(5) Providing appliances, equipment or instructional services to an educational institution for the purpose of instructing students in the use or repair of such appliances or equipment.

~~(f)~~(6) Providing discounts or financing employees of a public utility to encourage their use of the utility's service.

~~(g)~~(7) Merchandising and related inventorying of appliances or equipment for sale at retail and making and fulfilling reasonable warranties against defects in material and workmanship in appliances or equipment existing at the time of delivery; the elimination of hazardous conditions which due to a grandfather provision would not be corrected by the customer and yet would require correction to protect the public and minimize company liability.

~~(h)~~(8) The replacement or alterations to a customer's obsolete or inefficient system.

~~(i)~~(9) Technical, informational, or educational assistance offered to persons on the use of energy furnished by a public utility or on the use of maintenance of appliances or equipment.

~~(j)~~(10) Lunches, gifts, door prizes, etc., presented for attendance at informational meetings, conferences, etc., valued at \$10 or less shall not be considered to be a promotional practice.

~~(k)~~(11) Providing appliances or equipment incidental to exhibitions, demonstrations, tests or experiments of reasonable duration.

~~(l)~~(12) Any promotional practice, or program which includes a promotional practice, designed to develop or implement programs that promote energy efficiency and are part of the utility's energy efficiency plan developed pursuant to ~~199 IAC 35~~ 199—chapter 35.

16.2(8) The uniform systems of accounts for electric utilities are modified to include the following:

a. 424 Promotional Practices. This account shall include the cost of labor, materials used and expenses or losses incurred by the utility or an affiliate (where such costs are charged back to the company) on promotional practices.

Promotional practices, or programs which include promotional practices, and the labor, materials, and expenses related to promotional practices, which are exempted by subrule 16.7(2) need not be included in this account. The account shall include, but not be limited to, the following items:

~~A.~~(1) The financing of land or the construction of any building when same is not owned or otherwise possessed by the utility or its affiliate without ~~Board~~ board written approval.

~~B.~~(2) The furnishing of consideration to any person for work done or to be done on property not owned or otherwise possessed by the utility or its affiliate, except for the following: Studies to determine comparative capital or operating costs and expenses, or to show the desirability and feasibility of selecting one form of energy over another, contributions for research and development of new energy sources, etc.

~~C.~~(3) The acquisition from any person of any tangible or intangible property or service for a consideration in excess of the value thereof or the furnishing to any person of any tangible property or service for a consideration of less than the value thereof. "Value" in this instance is defined as the fair market price of the property or service under competitive market conditions and under arm's length conditions.

~~D.~~(4) The furnishing of consideration to any person for the sale, installation, or use of appliances or equipment of one form of energy over another. Employees who

are paid a commission in lieu of salary for the initial sale of appliances are exempted.

~~E.~~(5) The provision of free, or at less than cost or value, wiring, piping, appliances, or equipment to any person; provided that a utility, engaged in an appliance merchandising sales program, shall not be precluded from conducting legitimate closeouts of appliances, clearance sales, or sales of damaged or returned appliances. All items required by service rules of this ~~Board~~ board are exempted.

~~F.~~(6) The provision of free, or at less than cost or value, installation, operation, repair, modification or maintenance of appliances, equipment, wiring or piping to any person. This would not include services provided for the convenience and safety of customers such as gas leak testing, lighting of furnaces, etc.

~~G.~~(7) The granting of a trade-in allowance on the purchase of any appliance or equipment in excess of the reasonable value of the trade-in based on the past experience of a company or the granting of a trade-in allowance for such appliance or equipment when such allowance varies by the type of energy consumed in the trade-in.

~~H.~~(8) The financing of the acquisition of any appliance or equipment at a rate of interest or on terms significantly more favorable than those generally applicable to sales by nonutility dealers in such appliances or equipment.

~~I.~~(9) The furnishing of consideration to any person for any advertising or publicity purpose of such person, except where appropriately classified to another account.

~~J.~~(10) The guaranteeing of the maximum cost of electric utility service, except under published tariffs.

ITEMS

(11) Labor items related to promotional practices: ~~Labor: (Related to Promotional Practices)~~

1. Salary of employees engaged directly or indirectly in promotional practices defined.
2. Clerical and stenographic work performed in relation to promotional practices.
3. Fees paid to consultants, agents, attorneys, etc., on related promotional practices.

(12) Materials and expenses related to promotional practices: ~~Materials and Expenses: (Related to Promotional Practices)~~

- ~~4.1.~~ Amounts spent on postage, office supplies, displays, posters, exhibits, etc.
- ~~5.2.~~ Films, movies, photographs prepared for promotional activities.
- ~~6.3.~~ Expenses paid such as lodging, food, entertainment expenses.
- ~~7.4.~~ Transportation by company auto or plane and public transportation of any mode.

b. 426 Miscellaneous Income Deductions. Immediately following the current text and item list add the following:

- ~~7.(1)~~ Promotional advertising expenses.
- ~~8.(2)~~ Institutional or goodwill advertising expenses.
- ~~9.(3)~~ Rate justification advertising expenses.

~~The following specific subaccount instructions pertain to items 4, 7, 8, and 9 listed above:~~

- c. 426.4 Political Advertising Expenses.

~~A.~~(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising whether on a national, regional, or local basis, which are designed to influence public opinion with respect to the election or appointment of public officials or the adoption, repeal, revocation, or modification of referenda, legislation, or ordinances. The account shall also include expenditures for influencing the decisions of public officials not including such expenditures, which are directly related to appearances before regulatory or other governmental bodies in connection with utility's existing or proposed operations.

~~B.~~(2) Entries relating to political advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

~~C.~~(3) Where political advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expenses for such advertising charged to any member or subsidiary which is an Iowa electric utility and included in this account, shall be determined in accordance with the text of this account as set forth ~~herein~~ in paragraph 16.2(8)"c."

ITEMS

(4) Labor items related to political advertising: ~~Labor: (Related to Political Advertising)~~

1. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting promotional motion pictures, radio, and television programs.

2. Preparing booklets, bulletins, etc., used in direct mail.
3. Preparing window and other displays.
4. Clerical and stenographic work.
5. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

(5) Material and expenses related to political advertising: ~~Materials and Expenses: (Related to Political Advertising)~~

- ~~6.1.~~ Advertising in newspapers, periodicals, billboards, radio, etc.
- ~~7.2.~~ Advertising matters such as posters, bulletins, booklets, and related items.
- ~~8.3.~~ Fees and expenses of advertising agencies and commercial artists.
- ~~9.4.~~ Novelties for general distribution.
- ~~10.5.~~ Postage on direct-mail advertising.
- ~~11.6.~~ Printing of booklets, dodgers, bulletins, etc.
- ~~12.7.~~ Supplies and expenses in preparing advertising materials.
- ~~13.8.~~ Office supplies and expenses.

NOTE: • Franchise advertising and related expenses shall be charged to account 913.5. See paragraph 16.2(8)"I" or FERC account 302.

d. 426.7 Promotional Advertising Expenses

A.(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising designed to promote or retain the use of utility service, except (1) advertising the sale of merchandise, (2) load factor advertising, or (3) advertising which is part of a promotional practice, or a program which includes a promotional

practice, designed to develop or implement programs that promote energy efficiency and are part of the utility's energy efficiency plan developed pursuant to 199 IAC 35.

~~B.~~(2) Entries relating to promotional advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

~~C.~~(3) Where promotional advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expenses for such advertising charged to any member or subsidiary which is an Iowa electric utility and included in this account, shall be determined in accordance with the text of this account as set forth ~~herein~~ in paragraph 16.2(8)"d."

ITEMS

(4) Labor items related to promotional advertising: ~~Labor: (Related to Promotional Advertising)~~

1. Direct supervision of advertising activities.
2. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
3. Preparing booklets, bulletins, etc., used in direct mail.
4. Preparing window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

(5) Materials and expenses related to promotional advertising: ~~Materials and~~

Expenses: (Related to Promotional Advertising)

7.1. Advertising in newspapers, periodicals, billboards, radio, etc.

8.2. Advertising matters such as posters, bulletins, booklets, and related items.

9.3. Fees and expenses of advertising agencies and commercial artists.

10.4. Novelties for general distribution.

11.5. Postage on direct-mail advertising.

12.6. Premiums distributed generally, such as recipe books, etc., when not offered as inducement to purchase appliances.

13.7. Printing of booklets, dodgers, bulletins, etc.

14.8. Supplies and expenses in preparing advertising materials.

15.9. Office supplies and expenses.

NOTE A: • The cost of advertisements, which sets forth the value or advantages of utility service (without reference to specific appliances or if reference is made to appliances from dealers or refers to appliances not carried for sale by the utility), shall be considered sales promotion advertising and charged to this account. However, advertisements which are limited to specific makes of appliances sold by the utility and prices, terms, etc., thereof, without referring to the value or advantages of utility service, shall be considered as merchandise advertising, and the cost shall be charged to account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work.

NOTE B: • Advertisements which substantially mention or refer to the value or advantages of utility service, together with specific reference to makes or appliances

sold by the utility and the price, terms, etc., thereof, and designed for the joint purpose of increasing the use of utility service and the sales of appliances, shall be considered as a combination advertisement, and the costs shall be distributed between this account and FERC account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work, on the basis of space, time, or other proportional factors.

e. 426.8 Institutional or Goodwill Advertising Expenses.

A.(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising which is designed to create, enhance, or sustain the utility's image or goodwill to the general public or its customers.

B.(2) Entries relating to institutional or goodwill advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate or any party involved in a discovery proceeding.

C.(3) Where institutional or goodwill advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is an Iowa electric utility and included in this account, shall be determined in accordance with the text of this account as set forth ~~herein~~ in paragraph 16.2(8)"e."

ITEMS

(4) Labor items related to institutional or goodwill advertising: ~~Labor: (Related to Institutional or Goodwill Advertising)~~

1. Supervision of advertising activities.
2. Preparing material for newspapers, periodicals, billboards, etc., and preparing or conducting motion pictures, radio, and television programs.
3. Preparing booklets, bulletins, etc., used in direct mail.
4. Preparing window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

(5) Materials and expenses related to institutional or goodwill advertising:

~~Materials and Expenses: (Related to Institutional or Goodwill Advertising)~~

- ~~7.1.~~ Advertising in newspapers, periodicals, billboards, radio, etc.
- ~~8.2.~~ Advertising matters such as posters, bulletins, booklets, and related items.
- ~~9.3.~~ Fees and expenses of advertising agencies and commercial artists.
- ~~10.4.~~ Postage on direct-mail advertising.
- ~~11.5.~~ Printing of booklets, dodgers, bulletins, etc.
- ~~12.6.~~ Supplies and expenses in preparing advertising materials.
- ~~13.7.~~ Office supplies and expenses.
- ~~14.8.~~ Novelties for general distribution.

Below are examples of the advertising to be included in this account:

~~(a)~~• Pronouncements primarily lauding the utility or the area or community it serves.

~~(b)~~• Advertising activities to inform the ratepayers of the social and economic advantages or status of the area or community it serves.

~~(e)~~• Advertising activities to inform the public of the utility's participation in programs to improve the economic condition of the area or community it serves.

~~(d)~~• Advertising activities to inform the public of the utility's role of good citizenship.

~~(e)~~• Information and routine data supplied by the utility to local governments, planning agencies, civic groups, businesses, and the general public which is not inclusive in account 909.3, Informational Consumer Advertising Expenses. See paragraph 16.2(8)"i."

~~(f)~~• Advertising activities to inform the public of the utility's consciousness of, or involvement in, health, safety, conservation, or environmental programs, except as included in accounts 909.1, 909.2, and 909.3.

f. 426.9 Rate Justification Advertising Expenses

~~A.~~(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising, whether on a regional or local basis which is designed to promote public acceptance of utility rate increases or the utility's filed rates. The account shall also include all costs incurred by the utility for advertising in opposition to the decision of the regulatory agency. However, the expenses associated with simply informing customers that new rates have been requested shall be recorded in FERC account 928, regulatory commission expenses.

~~B.~~(2) Entries relating to rate justification advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall

be readily available to staff, the consumer advocate or any party involved in a discovery proceeding.

~~C.~~(3) Where advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is an Iowa electric utility and included in this account, shall be determined in accordance with the text of this account as set forth ~~herein~~ in paragraph 16.2(8)"f."

ITEMS

(4) Labor items related to rate justification advertising: ~~Labor: (Related to Rate Justification Advertising)~~

1. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
2. Preparing booklets, bulletins, etc., used in direct mail.
3. Preparing window and other displays.
4. Clerical and stenographic work.
5. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

(5) Materials and expenses related to rate justification advertising: ~~Materials and Expenses: (Related to Rate Justification Advertising)~~

- ~~6.~~1. Advertising in newspapers, periodicals, billboards, radio, etc.
- ~~7.~~2. Advertising matters such as posters, bulletins, booklets, and related items.
- ~~8.~~3. Fees and expenses of advertising agencies and commercial artists.
- ~~9.~~4. Postage on direct-mail advertising.

~~10.5.~~ Printing of booklets, dodgers, bulletins, etc.

~~11.6.~~ Supplies and expenses in preparing advertising materials.

~~12.7.~~ Office supplies and expenses.

g. 909.1 Conservation Advertising Expenses

~~A.(1)~~ This account shall include the cost of labor, materials used, and expenses incurred in advertising activities which primarily inform the customer of the reasons for and methods whereby energy may be conserved and energy consumption reduced by the consumer. Include in this account advertising activity relating to the electric utility which is related directly to company's provision of service to the customer during energy, fuel, and related shortages.

~~B.(2)~~ Entries relating to conservation advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate or any party involved in a discovery proceeding.

~~C.(3)~~ Where conservation advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is an Iowa electric utility and included in this account, shall be determined in accordance with the text of this account as set forth herein in paragraph 16.2(8)"g."

ITEMS

(4) Labor items related to conservation advertising: ~~Labor: (Related to Conservation Advertising)~~

1. Direct supervision of advertising activities.
2. Preparation of materials for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
3. Preparation of booklets, bulletins, etc., used in direct mail.
4. Preparation of window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

(5) Material and expenses related to conservation advertising: ~~Materials and Expenses: (Related to Conservation Advertising)~~

~~7.1.~~ Advertising in newspapers, periodicals, billboards, radio, etc.

~~8.2.~~ Fees and expenses of advertising agencies and commercial artists.

~~9.3.~~ Postage on direct-mail advertising.

~~10.4.~~ Printing of booklets, dodgers, bulletins, etc.

~~11.5.~~ Supplies and expenses in preparing advertising materials.

~~12.6.~~ Office supplies and expenses.

~~13.7.~~ Novelties for general distribution.

Below are examples of the advertising to be included in this account:

~~(a)•~~ Instructions in the proper use of equipment owned by the utility or the customer, which will result in less consumption of energy.

~~(b)•~~ Advertising designed to convince consumers to turn down thermostats, turn off lights when not in use, and turn off appliances, television sets, etc., when not in use.

h. 909.2 Environmental Advertising Expenses

~~A.~~(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising activities which primarily are designed to inform the public concerning the methods by which customers can participate with the utility in preserving and improving the environment. However, advertising which is primarily designed to laud the utility's achievements or projects purporting to preserve or enhance the environment, shall be recorded in account 426.8, paragraph 16.2(8)"e" ~~426 (subaccount 8)~~.

~~B.~~(2) Entries relating to environmental advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate or any party involved in a discovery proceeding.

~~C.~~(3) Where environmental advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expenses for such advertising charged to any member or subsidiary which is an Iowa electric utility and included in this account, shall be determined in accordance with the text of this account as set forth ~~herein~~ paragraph 16.2(8)"h."

ITEMS

(4) Labor items related to environmental advertising: ~~Labor: (Related to Environmental Advertising)~~

1. Direct supervision of advertising activities.

2. Preparation of materials for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
3. Preparation of booklets, bulletins, etc., used in direct mail.
4. Preparation of window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

(5) Material and expenses related to environmental advertising: ~~Materials and Expenses: (Related to Environmental Advertising)~~

- ~~7-1.~~ Advertising in newspapers, periodicals, billboards, etc.
- ~~8-2.~~ Fees and expenses of advertising agencies and commercial artists.
- ~~9-3.~~ Postage on direct-mail advertising.
- ~~10-4.~~ Printing of booklets, dodgers, bulletins, etc.
- ~~11-5.~~ Supplies and expenses in preparing advertising materials.
- ~~12-6.~~ Office supplies and expenses.
- ~~13-7.~~ Novelties for general distribution.

i. 909.3 Informational Consumer Advertising Expenses

~~A-(1)~~ This account shall include the cost of labor, materials used, and expenses incurred in advertising activities which primarily convey information as to what the utility urges or suggests customers should do in utilizing electric service to protect their health and safety, to utilize their electric equipment safely and economically.

~~B-(2)~~ Entries relating to informational advertising included in this account shall contain or refer to supporting documents which identify the specific advertising

message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

~~C.~~(3) Where informational advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is an Iowa electric utility and included in this account, shall be determined in accordance with the text of this account as set forth ~~herein~~ in paragraph 16.2(8)"i."

ITEMS

(4) Labor items related to information consumer advertising: ~~Labor: (Related to Informational Consumer Advertising)~~

1. Direct supervision of advertising activities.
2. Preparing materials for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
3. Preparing booklets, bulletins, etc., used in direct mail.
4. Preparing window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

(5) Materials and expenses related to informational consumer advertising:
~~Materials and Expenses: (Related to Informational Consumer Advertising)~~

- ~~7.~~1. Advertising in newspapers, periodicals, billboards, radio, etc.
- ~~8.~~2. Fees and expenses of advertising agencies and commercial artists.

~~9.3.~~ Postage on direct-mail advertising.

~~10.4.~~ Printing of booklets, dodgers, bulletins, etc.

~~11.5.~~ Supplies and expenses in preparing advertising materials.

~~12.6.~~ Office supplies and expenses.

~~13.7.~~ Novelties for general distribution.

Below are examples of the advertising to be included in this account:

~~(a)•~~ Instructions in the proper use of equipment owned by the utility or the customer which make use of the utility's service.

~~(b)•~~ Information as to new rates, billing practices, new inspection, or meter-reading schedules.

~~(c)•~~ Notification of emergency conditions and procedures to be followed during the emergency.

~~(d)•~~ Advice concerning hazards associated with the utility's electric service.

NOTE:• Exclude from this account and charge to FERC account 930.2 930, Miscellaneous General Expenses, the cost of publication of stockholder reports, dividend notices, bond redemption notices, financial statements, and other notices of a general corporate character. Also, exclude all expenses of promotional, institutional, or goodwill, and political advertising. See paragraphs 16.2(8)"c," 16.2(8)"d," and 16.2(8)"e" which refer to accounts 426.4, Political Advertising Expenses, 426.7 Promotional Advertising Expenses, and 426.8 Institutional or Goodwill Advertising Expenses respectively. ~~(See account 426.7, Promotional Advertising Expenses; account 426.8, Institutional or Goodwill Advertising Expenses; and account 426.4, Political Advertising Expenses.~~

Advertising expense directly related to obtaining a franchise or renewing an old franchise shall be charged to FERC account 302, Franchise and Consents. Such amounts shall be maintained in a separate subaccount for ready identification.

Advertising expense directly related to securing of new debt financing shall be charged to FERC account 181, Unamortized Debt Discount and Expense. Such amounts shall be maintained in a separate subaccount for ready identification.

Advertising expense directly related to securing of new equity financing shall be charged to FERC account 214, Capital Stock Expense. Such amounts shall be maintained in a separate subaccount for ready identification.

j. 909.4 Load Factor Advertising Expenses

~~A.~~(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising activities designed to improve load factor so that plant and equipment already installed can be operated more efficiently and to a greater degree of capability, thereby resulting in lower overall costs to the consumer.

~~B.~~(2) This shall include advertising expenditures which are designed to further industrial and commercial development of the company's service area.

~~C.~~(3) Entries relating to load factor advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate or any party involved in a discovery proceeding.

~~D.~~(4) Where load factor advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of

expense for such advertising charged to any member or subsidiary which is an Iowa electric utility and included in this account, shall be determined in accordance with the text of this account as set forth ~~herein~~ paragraph 16.2(8)"j."

ITEMS

(5) Labor items relating to load factor advertising: ~~Labor: (Relating to Load Factor Advertising)~~

1. Direct supervision of advertising activities.
2. Preparation of advertising materials for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
3. Preparation of booklets, bulletins, etc., used in direct mail.
4. Preparation of window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

(6) Materials and Expenses related to load factor advertising: ~~Materials and Expenses: (Related to Load Factor Advertising)~~

- ~~7.~~1. Advertising in newspapers, periodicals, billboards, radio, etc.
- ~~8.~~2. Fees and expenses of advertising agencies and commercial artists.
- ~~9.~~3. Postage on direct-mail advertising.
- ~~10.~~4. Printing of booklets, dodgers, bulletins, etc.
- ~~11.~~5. Supplies and expenses in preparing advertising materials.
- ~~12.~~6. Office supplies and expenses.
- ~~13.~~7. Novelties for general distribution.

Below is an example of the advertising to be included in this account:

~~(a)~~• Encouragement for manufacturers to go to night operations.

k. 913 Advertising Expenses – FERC account

Delete the entire current text of FERC account 913 ~~this account~~ and add the following subaccount 913.5, franchise-advertising expenses:.

~~A.~~(1) This account shall include only reasonable advertising expenditures for the purpose of obtaining approval, modification, or revocation of franchises.

~~B.~~(2) Entries relating to reasonable franchise advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising matter shall be readily available to staff, the consumer advocate or any party involved in a discovery proceeding.

ITEMS

(3) Labor items related to franchise advertising: ~~Labor: (Related to Franchise Advertising)~~

1. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
2. Preparing booklets, bulletins, etc., used in direct mail.
3. Preparing window and other displays.
4. Clerical and stenographic work.
5. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

(4) Materials and expenses related to franchise advertising: Materials and

Expenses: (Related to Franchise Advertising)

~~6.1.~~ Advertising in newspapers, periodicals, billboards, radio, etc.

~~7.2.~~ Advertising matters such as posters, bulletins, booklets, and related items.

~~8.3.~~ Fees and expenses of advertising agencies and commercial artists.

~~9.4.~~ Novelties for general distribution.

~~10.5.~~ Postage on direct-mail advertising.

~~11.6.~~ Printing of booklets, bulletins, etc.

~~12.7.~~ Supplies and expenses in preparing advertising materials.

~~13.8.~~ Office supplies and expenses.

I. ~~930~~ 930.2 Miscellaneous General Expenses – FERC Account

~~Delete the current Item No. 12 of this account and renumber the current Item No. 13 to become Item No. 12.~~

16.2(9) FERC accounts Accounts 421.1 or 421.2 as they are defined and exist in the uniform system of accounts, shall be used to account for the gain or loss on the sale, conveyance, exchange, or transfer of utility or other property, including land and land rights, unless otherwise authorized or required by the board for good cause shown.

16.2(10) FERC account Account 105 of the uniform systems of accounts ~~Section 18 CFR Part 101~~ is modified in subparagraph "D" by deleting the following language: "in accounts 411.6 or 411.7, as appropriate except when determined to be significant by the board. Upon such a determination, the amounts shall be transferred to account 256, Deferred Gains from Disposition of Utility Plant, or account 187,

Deferred Losses from Disposition of Utility Plant, and amortized to accounts 411.6, Gains from Disposition of Utility Plant, or 411.7, Losses from Disposition of Utility Plant, as appropriate" and substituting in lieu thereof: "in accounts 421.1 or 421.2, as appropriate unless otherwise authorized or required by the board for good cause shown."

Item 3. Amend rule 199—16.3(476) as follows:

199—16.3(476) Uniform systems of accounts-gas. The uniform systems of accounts for natural gas companies subject to the provisions of the Natural Gas Act, 18 CFR Part ~~Parts 201 and 204~~ published in the Federal Energy Regulatory Commission's rules and regulations, in effect on April 1, 2002, ~~is May 29, 1974,~~ ~~together with amendments thereto issued through February 2, 1977,~~ are adopted with the following modifications:

16.3(1) Definition 7 is changed to read: ~~"Commission,"~~ "Commission" means the ~~Iowa state utilities~~ board except where reference is made to the authority of the Federal Energy Regulatory Commission (FERC) under the Natural Gas Act and where the ~~Iowa state utilities~~ board does not have the same or similar authority under Iowa Code chapter 476, where "Commission" shall mean FERC ~~Federal Energy Regulatory Commission.~~

16.3(2) Definition ~~1922~~ is changed to read: ~~"Natural gas company,"~~ "Natural gas company," means a person furnishing gas by piped distribution system to the public for compensation."

16.3(3) ~~Reserved. General instruction 1-A of the uniform systems of accounts for gas utilities is changed for Class D gas utilities to read: "Utilities having annual gas operating revenues of less than \$150,000.00."~~

16.3(4) General instruction 1-B of the uniform systems of accounts for gas utilities is modified to add the following sentence: "Gas utilities subject to rate regulation by the board shall keep all the accounts of these systems of accounts which are applicable to their affairs, and gas utilities not subject to rate regulation shall keep the accounts of these systems of accounts for operating revenues only."

16.3(5) General instruction 1-D of the uniform systems of accounts for gas utilities is modified by adding the following sentence: "It is recommended but not required that gas utilities not subject to rate regulation keep all applicable accounts ~~as recommended for Class A, B, C and D gas utilities.~~ in accordance with the FERC uniform system of accounts 18 CFR Part 201."

16.3(7) The definitions for the uniform systems of accounts for gas utilities, when used in account 424, "Promotional Practices," are modified to include the following definitions:

~~50-a.~~ The word "*affiliate*" shall mean any person doing business in this State who directly or indirectly controls or is controlled by or is under common control with, a public utility.

~~51-b.~~ The words "*appliance or equipment*" shall mean any device, including a fixture, which consumes electric energy and any ancillary device required for its operation.

~~52.c.~~ The word "*consideration*" shall mean any cash, donation, gift, allowance, rebate, bonds, merchandise (new or used), property (tangible or intangible), labor, service conveyance, commitment, right or other thing of value.

~~53.d.~~ The word "*financing*" shall include acquisition of equity or debt interests, loans, guarantee of loans, advances, sale and repurchase agreements, sale and lease-back agreements, sales on open account, conditional or installment sales contracts, or other investment or extensions of credit.

~~54.e.~~ The word "*person*" shall include any individual, architect, builder, engineer, subdivider, developer, dealer, group, firm, partnership, corporation, cooperative, association, or other organization, but not including state or local political subdivisions or municipal corporations.

~~55.f.~~ The words "*public utility*" or "*utility*" shall include persons defined to be public utilities in Iowa Code section 476.1.

~~56.g.~~ The words "*promotional practices*" shall mean any consideration offered or granted by a public utility or its affiliate to any person for the purpose, express or implied, of inducing such person to select or use the service or additional service of such utility, or to select or install any appliance or equipment designed to use such utility service; provided that the words "promotional practices" shall not include the following activities:

~~(a)(1)~~ Providing repairs and service to appliances or equipment of customers of a public utility in an emergency or to restore service or to prevent hazardous conditions or service interruptions.

~~(b)(2)~~ Inspection and adjustment of appliances or equipment by a public utility.

~~(e)~~(3) Repairs and other maintenance to appliances or equipment by a public utility that could be performed by an independent appliance dealer or service shop if charges are at cost or above.

~~(d)~~(4) Providing service, wiring, piping, appliances, or equipment in accordance with tariffs, rules or regulations of a public utility on file with and approved by the board.

~~(e)~~(5) Providing appliances, equipment or instructional services to an educational institution for the purpose of instructing students in the use or repair of such appliances or equipment.

~~(f)~~(6) Providing discounts or financing employees of a public utility to encourage their use of the utility's service.

~~(g)~~(7) Merchandising and related inventory of appliances or equipment for sale at retail and making and fulfilling reasonable warranties against defects in material and workmanship in appliances or equipment existing at the time of delivery; the elimination of hazardous conditions which due to a grandfather provision would not be corrected by the customer and yet would require correction to protect the public and minimize company liability.

~~(h)~~(8) The replacement or alterations to a customer's obsolete or inefficient system.

~~(i)~~(9) Technical, informational, or educational assistance offered to persons on the use of energy furnished by a public utility or on the use or maintenance of appliances or equipment.

~~(j)~~(10) Lunches, gifts, door prizes, etc., presented for attendance at informational meetings, conferences, etc., valued at \$10 or less shall not be considered to be a promotional practice.

~~(k)~~(11) Providing appliances or equipment incidental to exhibitions, demonstrations, tests or experiments of reasonable duration.

~~(l)~~(12) Any promotional practice, or program which includes a promotional practice, designed to develop or implement programs that promote energy efficiency.

16.3(8) The uniform systems of accounts for gas utilities are modified to include the following:

a. 424 Promotional practices

This account shall include the cost of labor, materials used and expenses or losses incurred by the utility or an affiliate (where such costs are charged back to the company) on promotional practices. Promotional practices, or programs which include promotional practices, and the labor, materials, and expenses related to promotional practices, which are exempted by subrule 16.7(2) need not be included in this account. The account shall include, but not be limited to, the following items:

~~A.~~(1) The financing of land or the construction of any building when same is not owned or otherwise possessed by the utility or its affiliate without board written approval.

~~B.~~(2) The furnishing of consideration to any person for work done or to be done on property not owned or otherwise possessed by the utility or its affiliate, except for the following: Studies to determine comparative capital or operating costs and

expenses, or to show the desirability and feasibility of selecting one form of energy over another, contributions for research and development of new energy sources, etc.

~~C.~~(3) The acquisition from any person of any tangible or intangible property or service for a consideration in excess of the value thereof or the furnishing to any person of any tangible property or service for a consideration of less than the value thereof. "Value" in this instance is defined as the fair market price of the property or service under competitive market conditions and under arm's length conditions.

~~D.~~(4) The furnishing of consideration to any person for the sale, installation, or use of appliances or equipment of one form of energy over another. Employees who are paid a commission in lieu of salary for the initial sale of appliances are exempted.

~~E.~~(5) The provision of free, or at less than cost or value, wiring, piping, appliances, or equipment to any person; provided that a utility, engaged in an appliance merchandising sales program, shall not be precluded from conducting legitimate closeouts of appliances, clearance sales, or sales of damaged or returned appliances. All items required by service rules of this board are exempted.

~~F.~~(6) The provision of free, or at less than cost or value, installation, operation, repair, modification or maintenance of appliances, equipment, wiring or piping to any person. This would not include services provided for the convenience and safety of customers such as gas leak testing, lighting of furnaces, etc.

~~G.~~(7) The granting of a trade-in allowance on the purchase of any appliance or equipment in excess of the reasonable value of the trade-in based on the past

experience of a company or the granting of a trade-in allowance for such appliance or equipment when such allowance varies by the type of energy consumed in the trade-in.

~~H.~~(8) The financing of the acquisition of any appliance or equipment at a rate of interest or on terms significantly more favorable than those generally applicable to sales by nonutility dealers in such appliances or equipment.

~~I.~~(9) The furnishing of consideration to any person for any advertising or publicity purpose of such person, except where appropriately classified to another account.

~~J.~~(10) The guaranteeing of the maximum cost of gas utility service, except under published tariffs.

ITEMS

(11) Labor items related to promotional practices: ~~Labor: (Related to Promotional Practices)~~

1. Salary of employees engaged directly or indirectly in promotional practices defined.
2. Clerical and stenographic work performed in relation to promotional practices.
3. Fees paid to consultants, agents, attorneys, etc., on related promotional practices.

(12) Materials and expenses related to promotional practices: ~~Materials and Expenses: (Related to Promotional Practices)~~

- ~~4.~~1. Amounts spent on postage, office supplies, displays, posters, exhibits, etc.
- ~~5.~~2. Films, movies, photographs prepared for promotional activities.
- ~~6.~~3. Expenses paid such as lodging, food, entertainment expenses.

~~7.4.~~ Transportation by company auto or plane and public transportation of any mode.

b. 426 Miscellaneous Income Deductions

Immediately following the current text and item list add the following:

~~7.(1)~~ Promotional advertising expenses.

~~8.(2)~~ Institutional or goodwill advertising expenses.

~~9.(3)~~ Rate justification advertising expenses.

~~The following specific subaccount instructions pertain to items 4, 7, 8 and 9 listed above:~~

c. 426.4 Political Advertising Expenses

A.(1) Account 426.4 pertains to items in subparagraph 16.3(8)(12)1 and 16.3(8)b listed above. This account shall include the cost of labor, materials used, and expenses incurred in advertising whether on a national, regional, or local basis, which are designed to influence public opinion with respect to the election or appointment of public officials or the adoption, repeal, revocation, or modification of referenda, legislation, or ordinances. The account shall also include expenditures for influencing the decisions of public officials not including such expenditures which are directly related to appearances before regulatory or other governmental bodies in connection with utility's existing or proposed operations.

B.(2) Entries relating to political advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily

available to staff, the consumer advocate, or any party involved in a discovery proceeding.

~~C.~~(3) Where political advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expenses for such advertising charged to any member or subsidiary which is an Iowa gas utility and included in this account, shall be determined in accordance with the text of this account as set forth ~~herein~~ in 16.3(8)"c."

ITEMS

(4) Labor items related to political advertising: ~~Labor: (Related to Political Advertising)~~

1. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting promotional motion pictures, radio, and television programs.
2. Preparing booklets, bulletins, etc., used in direct mail.
3. Preparing window and other displays.
4. Clerical and stenographic work.
5. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

(5) Material and expenses related to political advertising: ~~Materials and Expenses: (Related to Political Advertising)~~

- ~~6.~~1. Advertising in newspapers, periodicals, billboards, radio, etc.
- ~~7.~~2. Advertising matters such as posters, bulletins, booklets, and related items.
- ~~8.~~3. Fees and expenses of advertising agencies and commercial artists.
- ~~9.~~4. Novelties for general distribution.

~~10.5.~~ Postage on direct-mail advertising.

~~11.6.~~ Printing of booklets, dodgers, bulletins, etc.

~~12.7.~~ Supplies and expenses in preparing advertising materials.

~~13.8.~~ Office supplies and expenses.

NOTE: • Franchise advertising and related expenses shall be charged to account 913.5 shown in paragraph 16.3(8)k or FERC account 302.

d. 426.7 Promotional Advertising Expenses

~~A.~~(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising designed to promote or retain the use of utility service, except (1) advertising the sale of merchandise, (2) load factor advertising or (3) advertising which is part of a promotional practice, or a program which includes a promotional practice, designed to develop or implement programs that promote energy efficiency and are part of the utility's energy efficiency plan developed pursuant to 199 IAC 35.

~~B.~~(2) Entries relating to promotional advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

~~C.~~(3) Where promotional advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expenses for such advertising charged to any member or subsidiary which is an Iowa gas utility and included in this account, shall be determined in accordance with the text of this account as set forth ~~herein~~ in 16.3(8)"d."

ITEMS

(4) Labor items related to promotional advertising: ~~Labor: (Related to Promotional Advertising)~~

1. Direct supervision of advertising activities.
2. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
3. Preparing booklets, bulletins, etc., used in direct mail.
4. Preparing window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

(5) Material and expenses related to promotional advertising: ~~Materials and Expenses: (Related to Promotional Advertising)~~

- ~~7.1.~~ Advertising in newspapers, periodicals, billboards, radio, etc.
- ~~8.2.~~ Advertising matters such as posters, bulletins, booklets, and related items.
- ~~9.3.~~ Fees and expenses of advertising agencies and commercial artists.
- ~~10.4.~~ Novelties for general distribution.
- ~~11.5.~~ Postage on direct-mail advertising.
- ~~12.6.~~ Premiums distributed generally, such as recipe books, etc., when not offered as inducement to purchase appliances.
- ~~13.7.~~ Printing of booklets, dodgers, bulletins, etc.
- ~~14.8.~~ Supplies and expenses in preparing advertising materials.
- ~~15.9.~~ Office supplies and expenses.

~~NOTE A:~~● The cost of advertisements, which sets forth the value or advantages of utility service (without reference to specific appliances or if reference is made to appliances from dealers or refers to appliances not carried for sale by the utility), shall be considered sales promotion advertising and charged to this account. However, advertisements which are limited to specific makes of appliances sold by the utility and prices, terms, etc., thereof, without referring to the value or advantages of utility service, shall be considered as merchandise advertising, and the cost shall be charged to account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work.

~~NOTE B:~~● Advertisements which substantially mention or refer to the value or advantages of utility service, together with specific reference to makes or appliances sold by the utility and the price, terms, etc., thereof, and designed for the joint purpose of increasing the use of utility service and the sales of appliances, shall be considered as a combination advertisement, and the costs shall be distributed between this account and account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work, on the basis of space, time, or other proportional factors.

e. 426.8 Institutional or Goodwill Advertising Expenses

~~A.~~(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising which is designed to create, enhance, or sustain the utility's image or goodwill to the general public or its customers.

~~B.~~(2) Entries relating to institutional or goodwill advertising included in this account shall contain or refer to supporting documents which identify the specific

advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

~~C.~~(3) Where institutional or goodwill advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is an Iowa gas utility and included in this account, shall be determined in accordance with the text of this account as set forth ~~herein~~ in 16.3(8)"e."

ITEMS

(4) Labor items related to institutional goodwill advertising: ~~Labor: (Related to Institutional or Goodwill Advertising)~~

1. Supervision of advertising activities.
2. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
3. Preparing booklets, bulletins, etc., used in direct mail.
4. Preparing window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

(5) Materials and expenses related to institutional goodwill advertising: ~~Materials and Expenses: (Related to Institutional or Goodwill Advertising)~~

- ~~7.~~1. Advertising in newspapers, periodicals, billboards, radio, etc.
- ~~8.~~2. Advertising matters such as posters, bulletins, booklets, and related items.

~~9.3.~~ Fees and expenses of advertising agencies and commercial artists.

~~10.4.~~ Postage on direct-mail advertising.

~~11.5.~~ Printing of booklets, dodgers, bulletins, etc.

~~12.6.~~ Supplies and expenses in preparing advertising materials.

~~13.7.~~ Office supplies and expenses.

~~14.8.~~ Novelties for general distribution.

Below are examples of the advertising to be included in this account:

~~(a)•~~ Pronouncements primarily lauding the utility or the area or community it serves.

~~(b)•~~ Advertising activities to inform the ratepayers of the social and economic advantages or status of the area or community it serves.

~~(c)•~~ Advertising activities to inform the public of the utility's participation in programs to improve the economic condition of the area or community it serves.

~~(d)•~~ Advertising activities to inform the public of the utility's role of good citizenship.

~~(e)•~~ Information and routine data supplied by the utility to local governments, planning agencies, civic groups, businesses, and the general public which is not inclusive in account 909.3, "Informational Consumer Advertising Expenses." See paragraph 16.3(8)"i."

~~(f)•~~ Advertising activities to inform the public of the utility's consciousness of, or involvement in, health, safety, conservation, or environmental programs, except as included in accounts 909.1, 909.2 and 909.3. See paragraphs 16.3(8)"g," 16.3(8)"h," and 16.3(8)"i," respectively.

f. 426.9 Rate Justification Advertising Expenses

~~A.~~(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising, whether on a regional or local basis which is designed to promote public acceptance of utility rate increases or the utility's filed rates. The account shall also include all costs incurred by the utility for advertising in opposition to the decision of the regulatory agency. However, the expenses associated with simply informing customers that new rates have been requested shall be recorded in FERC account 928 Regulatory commission expenses.

~~B.~~(2) Entries relating to rate justification advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

~~C.~~(3) Where advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is an Iowa gas utility and included in this account, shall be determined in accordance with the text of this account as set forth ~~herein~~ in 16.3(8)"f."

ITEMS

(4) Labor items related to rate justification advertising: ~~Labor: (Related to Rate Justification Advertising)~~

1. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.

2. Preparing booklets, bulletins, etc., used in direct mail.
3. Preparing window and other displays.
4. Clerical and stenographic work.
5. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

(5) Materials and expenses related to rate justification: Materials and Expenses:

~~(Related to Rate Justification Advertising)~~

- ~~6.1.~~ Advertising in newspapers, periodicals, billboards, radio, etc.
- ~~7.2.~~ Advertising matters such as posters, bulletins, booklets, and related items.
- ~~8.3.~~ Fees and expenses of advertising agencies and commercial artists.
- ~~9.4.~~ Postage on direct-mail advertising.
- ~~10.5.~~ Printing of booklets, dodgers, bulletins, etc.
- ~~11.6.~~ Supplies and expenses in preparing advertising materials.
- ~~12.7.~~ Office supplies and expenses.

g. 909.1 Conservation Advertising Expenses

A.(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising activities which primarily inform the customer of the reasons for and methods whereby energy may be conserved and energy consumption reduced by the consumer. Include in this account advertising activity relating to the gas utility, which is related directly to company's provision of service to the customer during energy, fuel, and related shortages.

B.(2) Entries relating to conservation advertising included in this account shall contain or refer to supporting documents which identify the specific advertising

message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

~~C.~~(3) Where conservation advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is an Iowa gas utility and included in this account, shall be determined in accordance with the text of this account as set forth ~~herein~~ in 16.3(8)"g."

ITEMS

(4) Labor items related to conservation advertising: ~~Labor: (Related to Conservation Advertising)~~

1. Direct supervision of advertising activities.
2. Preparation of materials for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
3. Preparation of booklets, bulletins, etc., used in direct mail.
4. Preparation of window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

(5) Materials and expenses related to conservation advertising: ~~Materials and Expenses: (Related to Conservation Advertising)~~

- ~~7.~~1. Advertising in newspapers, periodicals, billboards, radio, etc.
- ~~8.~~2. Fees and expenses of advertising agencies and commercial artists.

~~9.3.~~ Postage on direct-mail advertising.

~~10.4.~~ Printing of booklets, dodgers, bulletins, etc.

~~11.5.~~ Supplies and expenses in preparing advertising materials.

~~12.6.~~ Office supplies and expenses.

~~13.7.~~ Novelties for general distribution.

Below are examples of the advertising to be included in this account:

- ~~(a).~~• Instructions in the proper use of equipment owned by the utility or the customer which will result in less consumption of energy.
- ~~(b).~~• Advertising designed to convince consumers to turn down thermostats, turn off appliances, etc., when not in use.

h. 909.2 Environmental Advertising Expenses

~~A.(1)~~ This account shall include the cost of labor, materials used, and expenses incurred in advertising activities which primarily are designed to inform the public concerning the methods by which customers can participate with the utility in preserving and improving the environment. However, advertising which is primarily designed to laud the utility's achievements or projects purporting to preserve or enhance the environment shall be recorded in account 426 (subaccount 8).

~~B.(2)~~ Entries relating to environmental advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

~~C.~~(3) Where environmental advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expenses for such advertising charged to any member or subsidiary which is an Iowa gas utility and included in this account shall be determined in accordance with the text of this account as set forth herein in 16.3(8)"h."

ITEMS

(4) Labor items related to environmental advertising: ~~Labor: (Related to Environmental Advertising)~~

1. Direct supervision of advertising activities.
2. Preparation of materials for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
3. Preparation of booklets, bulletins, etc., used in direct mail.
4. Preparation of window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

(5) Materials and expenses related to environmental advertising: ~~Materials and Expenses: (Related to Environmental Advertising)~~

- ~~7.~~1. Advertising in newspapers, periodicals, billboards, etc.
- ~~8.~~2. Fees and expenses of advertising agencies and commercial artists.
- ~~9.~~3. Postage on direct-mail advertising.
- ~~10.~~4. Printing of booklets, dodgers, bulletins, etc.
- ~~11.~~5. Supplies and expenses in preparing advertising materials.

~~12.6.~~ Office supplies and expenses.

~~13.7.~~ Novelties for general distribution.

i. 909.3 Informational Consumer Advertising Expenses

~~A.(1)~~ This account shall include the cost of labor, materials used, and expenses incurred in advertising activities which primarily convey information as to what the utility urges or suggests customers should do in utilizing gas service to protect their health and safety, and to utilize their gas equipment safely and economically.

~~B.(2)~~ Entries relating to informational advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

~~C.(3)~~ Where informational advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is an Iowa gas utility and included in this account shall be determined in accordance with the text of this account as set forth ~~herein~~ in 16.3(8)"i."

ITEMS

(4) Labor items related to informational consumer advertising: ~~Labor: (Related to Informational Consumer Advertising)~~

1. Direct supervision of advertising activities.
2. Preparing materials for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.

3. Preparing booklets, bulletins, etc., used in direct mail.
4. Preparing window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

(5) Materials and expenses related to informational consumer advertising:

~~Materials and Expenses: (Related to Informational Consumer Advertising)~~

- ~~7.1.~~ Advertising in newspapers, periodicals, billboards, radio, etc.
- ~~8.2.~~ Fees and expenses of advertising agencies and commercial artists.
- ~~9.3.~~ Postage on direct-mail advertising.
- ~~10.4.~~ Printing of booklets, dodgers, bulletins, etc.
- ~~11.5.~~ Supplies and expenses in preparing advertising materials.
- ~~12.6.~~ Office supplies and expenses.
- ~~13.7.~~ Novelties for general distribution.

Below are examples of the advertising to be included in this account:

- ~~(a).~~ Instructions in the proper use of equipment owned by the utility or the customer which make use of the utility's service.
- ~~(b).~~ Information as to new rates, billing practices, new inspection, or meter-reading schedules.
- ~~(c).~~ Notification of emergency conditions and procedures to be followed during the emergency.
- ~~(d).~~ Advice concerning hazards associated with the utility's gas service.

(6) ~~NOTE:~~ Exclude from this account and charge to FERC account 930.2 930, Miscellaneous General Expenses, the cost of publication of stockholder reports, dividend notices, bond redemption notices, financial statements, and other notices of a general corporate character. Also, exclude all expenses of promotional, institutional, or goodwill, and political advertising. See paragraphs 16.3(8)"c," 16.3(8)"d," and 16.3(8)"e" which refer to accounts 426.4, Political Advertising Expenses, 426.7 Promotional Advertising Expenses, and 426.8 Institutional or Goodwill Advertising Expenses, respectively. ~~(See account 426.7, Promotional Advertising Expenses; account 426.8, Institutional or Goodwill Advertising Expenses; and account 426.4, Political Advertising Expenses.~~

Advertising expense directly related to obtaining a franchise or renewing an old franchise shall be charged to FERC account 302, Franchise and Consents. Such amounts shall be maintained in a separate subaccount for ready identification.

Advertising expense directly related to securing of new debt financing shall be charged to account 181, Unamortized Debt Discount and Expense. Such amounts shall be maintained in a separate subaccount for ready identification.

Advertising expense directly related to securing of new equity financing shall be charged to FERC account 214, Capital Stock Expense. Such amounts shall be maintained in a separate subaccount for ready identification.

~~913 Advertising Expenses _Delete the entire current text of this account and add the following subaccount:913.5, Franchise Advertising Expenses.~~

j. Franchise Advertising Expenses, FERC Account 913.5

~~A.~~ (1) This account shall include only reasonable advertising expenditures for the purpose of obtaining approval, modification, or revocation of franchises.

~~B.~~ (2) Entries relating to reasonable franchise advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising matter shall be readily available to staff, the consumer advocate, or any party involved in a discovery proceeding.

ITEMS

(3) Labor items related to franchise advertising: ~~Labor: (Related to Franchise Advertising)~~

1. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
2. Preparing booklets, bulletins, etc., used in direct mail.
3. Preparing window and other displays.
4. Clerical and stenographic work.
5. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

(4) Materials and expenses related to franchise advertising: ~~Materials and Expenses: (Related to Franchise Advertising)~~

- ~~6.~~1. Advertising in newspapers, periodicals, billboards, radio, etc.
- ~~7.~~2. Advertising matters such as posters, bulletins, booklets, and related items.
- ~~8.~~3. Fees and expenses of advertising agencies and commercial artists.
- ~~9.~~4. Novelties for general distribution.

~~40.5.~~ Postage on direct-mail advertising.

~~41.6.~~ Printing of booklets, bulletins, etc.

~~42.7.~~ Supplies and expenses in preparing advertising materials.

~~43.8.~~ Office supplies and expenses.

k. 930.2 Miscellaneous General Expenses. FERC account

~~Delete the current Item No. 12 of this account and renumber the current Item No. 13 to become Item No. 12.~~

16.3(9) FERC accounts ~~Accounts~~ 421.1 or 421.2 as they are defined and exist in the uniform system of accounts, shall be used to account for the gain or loss on the sale, conveyance, exchange, or transfer of utility or other property, including land and land rights, unless otherwise authorized or required by the board for good cause shown.

16.3(10) Accounts 105 and 105.1 of the uniform system of accounts ~~Section~~ CFR 18 Part 201 are modified in subparagraph "D" by deleting the following language: "in FERC account 411.6 or 411.7, as appropriate except when determined to be significant by the board. Upon such a determination, the amounts shall be transferred to FERC account 256, Deferred Gains from Disposition of Utility Plant, or FERC account 187, Deferred Losses from Disposition of Utility Plant, and amortized to FERC account 411.6, Gains from Disposition of Utility Plant, or FERC account 411.7, Losses from Disposition of Utility Plant, as appropriate" and substituting in lieu thereof: "in FERC account 421.1 or 421.2, as appropriate, unless otherwise authorized or required by the board for good cause shown."

~~These rules are intended to implement Iowa Code sections 476.1, 476.2, 476.8 and 476.9.~~

Item 4. Amend rule 199—16.4(476) as follows:

199—16.4(476) Uniform systems of accounts—water. The ~~1973~~ 1996 uniform system of accounts for Class A, ~~B, C, and D~~ A, B, and C water utilities published by the National Association of Regulatory Utility Commissioners (NARUC) uniform system of accounts are adopted with the following modifications:

16.4(1) ~~General instruction 2-D of the~~ Accounting instruction 2-D of the NARUC uniform system of accounts for water utilities is modified by adding the sentence: "This shall not prohibit water utilities from using such additional accounts as they are required or permitted to keep for their reporting to other regulatory authorities or to their stockholders, providing the board is notified of the nature, amount and purpose of such accounts in the annual report to the board and at such other times as may be requested by the board."

16.4(2) Account ~~422~~ 414 as defined and existing in the NARUC uniform system of accounts 414.A, shall be used to account for the gain or loss on the sale, conveyance, exchange, or transfer of utility or other property to another, unless otherwise authorized or required by the board for good cause shown.

Item 5. Amend rule 199—18.1(476) as follows:

199—18.1(476) Definitions. The following words and terms, when used in ~~these rules~~ this chapter, shall have the meaning shown below:

a"~~FPG~~ FERC rules" are the rules and regulations of the Federal Energy Regulatory Commission under the Federal Power Act and Natural Gas Act as published in the Code of Federal Regulations (CFR).

b"FCC rules" are the rules and regulations of the Federal Communications Commission under the Communications Act of 1934 as published in CFR ~~Code of Federal Regulations~~ (CFR).

c"NARUC rules" are the rules and regulations published by the National Association of Regulatory Utility Commissioners.

d"~~REA~~ RUS rules" are the rules and regulations of the Rural ~~Electrification Administration~~ Utilities Services (RUS) 7 CFR Part 1767 of the United States Department of Agriculture applicable to electric and telephone borrowers of the ~~REA~~ RUS under the terms of their mortgages to the ~~REA~~ RUS.

Item 6. Amend rule 199—18.2(476) as follows:

199—18.2(476) Location of records. All records required by any rules of the board, or necessary for the administration thereof, shall be kept within this state unless otherwise authorized by the board. Any transfer of records from a location outside this state to another location outside this state shall also require prior board authorization, but a transfer from outside this state to a locale within this state may be made with only prior notification to the board.

~~Each rate-regulated gas utility and electric utility is to notify the board on or before April 1, 1997, of the address, telephone number, and business hours of its principal office for Iowa operations maintained within the state of Iowa. The board is to be notified~~ by each rate-regulated gas utility and electric utility within 30 days of

any change in address, telephone number, and business hours of the utility's principal office for Iowa operations. A utility providing gas and electric service may designate one principal office for both types of utility operations or a separate principal office for each type of utility operation. Notwithstanding any other provision of these rules, the following books, accounts, papers, and records, or current copies thereof, are required to be maintained at the utility's principal office for Iowa operations:

~~1~~**18.2(1)** The utility's tariffs.

~~2~~**18.2(2)** A record of the number and business location of the utility's administrative, technical, and operating personnel within the state.

~~3~~**18.2(3)** The most recent inspection report.

~~4~~**18.2(4)** The most recent energy efficiency plan filing.

~~5~~**18.2(4)** The most recent rate case filing.

~~6~~**18.2(5)** Annual reports for the past five years.

~~7~~**18.2(6)** Shareholder's reports for the past five years.

~~8~~**18.2(7)** Form IG-1 (gas utilities).

~~9~~**18.2(8)** Form IE-1 (electric utilities).

~~40~~**18.2(9)** Information regarding the location of other books, records, and accounts required to be maintained by the board pursuant to statute or rule.

Item 7. Amend rule 199—18.4(476) as follows:

199—18.4(476) Electric utilities.

18.4(1)—Units of property. Electric utilities subject to rate regulations shall adopt, in addition to the requirements of 199 IAC Chapter 16, Part 116 of the FPC

~~rules, 18 CFR 116, maintain an accounting system for Units of Property for Use in Accounting for Additions and Retirements of Electric Plant in accordance with 199—16.2(476), which adopts the 2000 FERC rules 18 CFR Part 101 Electric Plant Instructions as issued April 1, 1977.~~

18.4(2)—*Preservation of records.* All electric utilities subject to regulation by the board shall preserve the records of their operations in accordance with the provisions of Part 125 of the ~~FPC~~ FERC rules, 18 CFR Part 125, Preservation of Records of Public Utilities and Licensees as issued on April 1, ~~1977~~ 2000. Rate-regulated companies shall further ensure the preservation of records of associated companies, whether or not the associated companies are themselves utilities, as necessary to support the cost of services rendered to the utility by the associated companies.

Item 8. Amend rule 199—18.5 as follows:

199—18.5(476) Rural electric cooperatives.

18.5(1)—*Units of Property.* Rural electric cooperatives (RECs) ~~subject to rate-regulation by the board~~ shall adopt the ~~REA~~ RUS rules contained in ~~REA~~ RUS ~~Bulletin 181-2~~ 7 CFR Part 1767 issued January 1, 1999. The REC shall maintain sufficient records to support additions to plant, Retirementretirement units, and replacements of electric plant, in accordance with 7 CFR Part 1767.10, Definitions, 7 CFR Part 1767.15, General Instructions, 7 CFR Part 1767.16, Electric Plant Instructions, Standard List of and 7 CFR Part 1767.20, Plant Accounts. ~~issued May 1968 and revised by pen and ink changes as of July 1974.~~

18.5(2)—*Preservation of records.* Rural electric cooperatives subject to rate-regulation by the board shall preserve the records of their operations in accordance with the provisions of the FERC rules, 18 CFR Part 125, Preservation of Records of Electric Utility Companies Issued April 1, 2000. ~~REA rules contained in REA Bulletin 180-2, Manual for Preservation of Borrowers Records (Electric) issued June 6, 1972.~~

Item 9. Amend rule 199—18.6(476) as follows:

199—18.6(476)—Gas utilities.

18.6(1) *Units of property.* Gas utilities subject to rate regulations shall ~~adopt, in addition to the requirements of 199 IAC Chapter 16, Part 216 of the FPC rules, 18 CFR 216,~~ maintain an accounting system for Units of Property for Use in Accounting for Additions and Retirements of Gas Plant per 199—16.3(476), which adopts the 2000 FERC rules 18 CFR Part 201 Gas Plant Instructions issued April 1, 1977.

18.6(2) *Preservation of records.* All gas utilities subject to regulation by the board shall preserve the records of their operations in accordance with the provisions of Part 225 of the FPC FERC rules, 18 CFR Part 225, Preservation of Records of Natural Gas Companies as issued on April 1, ~~1977~~ 2000. Rate-regulated companies shall further ensure the preservation of records of associated companies, whether or not the associated companies are themselves utilities, as necessary to support the cost of services rendered to the utility by the associated companies.

Item 10. Amend rule 199—18.7(476) as follows:

199—18.7(476) Water utilities.

18.7(1)—*Units of property.* Water utilities subject to rate regulation shall maintain an accounting system for Units of property in accounting for additions and retirements of water plant per 199—16.4(1)(476) which adopts the 1996 NARUC uniform systems of accounts for Class A, B, and C water utilities. ~~adopt, in addition to the requirements of 199 IAC Chapter 16, the NARUC “List of Retirement Units of Property for Water Utilities” effective January 1, 1972.~~

18.7(2) *Preservation of records.* All water utilities subject to regulation by the board shall preserve the records of their operations in accordance with the provisions of the NARUC rules: Regulation to Govern the Preservation of Records of Records of Electric, Gas and Water Utilities, ~~April 1972~~ revised May 1985 edition. They shall further ensure the preservation of records of associated companies, whether or not the associated companies are themselves utilities, as necessary to support the cost of services rendered to the utility by associated companies.

Item 11. Amend 199—23.1(476) as follows:

199—23.1(476) General information.

23.1(1) Every public utility is required to keep and render its books, accounts, papers and records accurately and faithfully in the manner and form prescribed by the board and to comply with all directions of the board relating to such books, accounts, papers and records.

23.1(2) Each public utility subject to Iowa Code chapter 476 shall file with this board, on or before April 1 of each year, an annual report as described in this chapter ~~these rules~~ and covering operations during the immediately preceding calendar year. Pursuant to ~~chapter 476~~ Iowa Code chapter 476, this information will

be used to apportion the costs of the utilities division. If a utility ceases operations through merger or sale of its plant during the calendar year, each utility involved in the transaction shall separately file, within 90 days after the merger or sale, an annual report covering the portion of the calendar year operations to the date of sale or merger.

23.1(3) All pages of the report must be completed and submitted to the board. The words "none" or "not applicable" may be used to complete a schedule when they accurately and fully state the facts. The board shall be notified of the nature, amount and purpose of any accounts used in addition to those prescribed in utilities division ~~Chapter 16, 199—16.~~ **“Accounting.”** A copy shall be retained in the respondent’s file. All reports are to be prepared for and certified to the Iowa utilities board.

Item 12. Amend rule 199—23.2(476) as follows:

199—23.2(476) Annual report requirements—rate regulated utilities. Two copies each of the following report forms must be completed and filed with the board.

(1) *Electric utilities.*

a. ~~Glass A & B~~ Major electric utilities—Form IE-1, Annual Report—Rate-Regulated ~~Electric Utilities~~ electric utilities (including ~~FPC~~ FERC Annual Report Form No. 1). A “major” electric utility is defined as a utility that (1) had, in each of the last three consecutive years sales or transmission service that exceeded any one or more of the following: (a) one million megawatt-hours of total sales; (b) 100 megawatt-hours of sales for resale; (c) 500 megawatt-hours of power exchanges

delivered; or (d) 500 megawatt-hours of wheeling for others (deliveries plus losses).

Title 18 CFR Part 101, General Instructions 1.A.(1)

b. ~~Class C & D~~ Nonmajor electric utilities—Form IE-1, Annual Report—Rate-Regulated ~~Electric Utilities~~ electric utilities (including ~~FPG~~ FERC Annual Report Form No. 1F). A "nonmajor" electric utility is defined as a utility that is not classified as major and had total sales in each of the last three consecutive years of 10,000 megawatt-hours or more. Title 18 CFR Part 101, General Instructions 1.A.(2).

(2) *Gas utilities.*

a. ~~Class A & B~~ Major gas utilities—Form IG-1, Annual Report—Rate-Regulated ~~Gas Utilities~~ gas utilities (including ~~FPG~~ FERC Annual Report Form No. 2). A "major" gas utility company is defined as a gas utility whose combined gas sold for resale and gas transported or stored for a fee exceeds 50 million Mcf at 14.73 psi (60° F) in each of the three previous calendar years. Title 18 CFR Part 201, General Instruction 1.

b. ~~Class C & D~~ Nonmajor gas utilities—Form IG-1, Annual Report—Rate-Regulated ~~Gas Utilities~~ gas utilities (including ~~FPG~~ FERC Annual Report Form No. 2A). A "nonmajor" gas utility is defined as a utility (1) that is not classified as a major company and (2) that had total gas sales volume transactions exceeding 200,000 Mcf at 14.73 psi (60° F) in each of the three previous calendar years. Title 18 CFR Part 201, General Instruction 1.

Item 13: Amend 199—31.3(476) as follows:

199—31.3(476) Annual filing. On or before June 30 of each year, all public utilities shall file with the board the following information:

~~1. Verified copies of all contracts, arrangements, or other similar transactions between the public utility and an affiliate made or entered into on or after July 1, 1989, and verified copies or a verified summary of all contracts, arrangements, or other similar transactions between the public utility and an affiliate made or entered into prior to July 1, 1989, but in force and effect on or after July 1, 1989. This includes all contracts or arrangements, or other similar transactions as required by Iowa Code subsections 476.74(1) to 476.74(4).~~

1.31.3(1) The utilities will file an executive summary of each new or revised contract. The executive summary of each contract shall include: the contract number, the start and end date of the contract, the providing affiliate, the receiving affiliate, the total estimated dollar value of the contract, the dollar amount reported for the year ending, and a description of the service or goods covered.

Verified copies of all contracts, arrangements, or other similar transactions between the public utility and an affiliate, shall be provided to the Board upon request. ~~made or entered in on or after July 1, 1989, and verified copies or a verified summary of all contracts, arrangements, or other similar transaction between the public utility and an affiliate made or entered into prior to July 1, 1989, but in force and effect after July 1, 1989.~~ This includes all contracts or arrangements, or other similar transactions as required by Iowa Code subsections 476.74(1) to 476.74(4).

2.31.3(2) Contracts, arrangements, or other similar transactions with an affiliate where the consideration is not in excess of \$50,000 or 5 percent of the capital equity of the utility, whichever is smaller, are exempt from this filing requirement. In lieu of the filing requirement, the public utility shall file on or before June 30 of each year a

report of the total amount of each contract, arrangement, or other similar transactions with affiliates qualifying under this exemption. Each affiliate shall be identified separately.

31.3(4)(3) After an initial filing under rule 31.3(476), a public utility shall file only new contracts or arrangements or other similar transactions and modifications or amendments to existing contracts or arrangements, or other similar transactions on an annual basis. If there have been no new contracts or arrangements or other similar transactions, the public utility shall file a statement to that effect.

31.3(2)(4) If a new affiliate is created, if an existing affiliate is dissolved or merged, if a contractual arrangement or other similar transactional relationship between the public utility and an affiliate is created, or if a contractual arrangement or other similar transactional relationship is terminated between the public utility or an affiliate, the public utility shall notify the board in writing within 30 days of the date of the event. This subrule does not apply if a proposal for reorganization pursuant to 199—32 is to be filed with the board.

Item 15. Amend rule 199—32.1(476) as follows

199—32.1(476) Applicability and definitions of terms.

4.32.1(1) This chapter applies to any person who intends to acquire, sell, lease, or otherwise dispose indirectly or directly of the whole or any substantial part of a public utility's assets; or purchase, acquire, sell, or otherwise dispose of the controlling capital stock of any public utility, either directly indirectly. Either individually or on a joint basis, a proposal for reorganization shall be filed by the person(s) to whom this chapter applies. All terms used in this chapter not otherwise

defined shall be defined as defined in Iowa Code Supplement section 476.72.

“Proposal for reorganization” means the application for approval of a reorganization including the supporting testimony, evidence and filing requirements identified in rule 32.4(476).

~~2-32.1(2)~~ This chapter does not apply transfers or removals of a public utility’s assets which are made specifically pursuant to a board deregulation order, as long as those transfers or removals occur within 12 months of the board’s approval of an accounting separation plan.

Item 16. Amend rule 199—32.2(476) as follows.

199—32.2(476) Substantial part of a utility’s assets.

32.2(1) Unless an application pursuant to Iowa Code section 476.77 and this chapter has been filed or a waiver obtained pursuant to ~~rule 32.8(476)~~ 199 IAC 1.3, no public utility shall acquire or lease assets, directly or indirectly, with a value in excess of 3 percent of the utility’s Iowa jurisdictional utility revenue during the immediately preceding calendar year or \$5 million, whichever is greater. For purposes of this subrule and subrule 32.2(2), “value” means the greater of market or book value.

Item 17. Amend rule 199—32.3(476) as follows.

199—32.3(476) Declaratory rulings. Any person may request a determination as to whether the action it proposes would constitute a reorganization or whether the assets involved would constitute a substantial part of a public utility’s assets, as defined in Iowa Code section 476.72 and these rules, by filing a petition for declaratory ruling, as set out in 199 —chapter 4.

Item 18. Amend rule 199—32.4(476) as follows.

32.4(3)—Financial details.

f. Stockholder quarterly reports for the two quarters just prior to the date of the filing and any subsequent reports as they become available during the proceeding, for all affected companies.

g. The major credit rating agencies' reports for two years preceding the filing date of the merger and updates as they become available during the proceeding, for all affected companies.

h. Any proxy statement to the stockholders regarding the proposed reorganization. If such is not available at time of filing, a draft statement should be filed followed by the final when available.

32.4(6) Effect on service and reliability.

a. Report on quality of service and reliability levels of utility services for each of the five years prior to year of filing for all affected companies

b. Detailed statement on how the proposed reorganized entity will maintain or enhance service and reliability. Provide any investment or operational plans for this purpose that are available.

Item 19. Amend rule 199—33.5(476) as follows.

199—33.5(476) Cost allocation manuals. Every rate-regulated gas or electric public utility equaling or exceeding the filing threshold in ~~1993~~ or any calendar year thereafter shall file with the board a cost allocation manual on or before September 1 of the following year. If the utility has not changed its cost allocation manual since

the last filing on September 1, the utility should file a letter with the Board to that effect. Refer to subrule 33.5(3) for information on updating cost allocation manuals.

33.5(2) *Filing and approval of manuals.* The following procedure shall be used for the filing and approval of manuals.

a. *Filing.* ~~Utilities meeting the filing threshold as of December 31, 1993, shall file manuals on or before September 1, 1994.~~ Utilities subsequently meeting the filing threshold requirements shall file manuals on or before September 1 of the year following the year the threshold requirement was first met.

Item 20. Amend rule 199—34.6(476) as follows.

199—34.6(476) Procedures for utilization of billing and collection system.

~~1.~~ **34.6(1)** When a person meeting the requirements of rule 34.4 (476) uses the billing and collection system of a public utility, the public utility shall promptly remit to that person all funds collected by the public utility on behalf of the person.

~~2.~~ **34.6(2)** Where a customer makes a partial payment and owes both a public utility and a person(s) meeting the requirements of rule 34.4(476) for services or goods provided, the payment received shall be allocated first to the regulated utility bill plus tax, unless otherwise allocated by the customer. Any balance remaining after payment of the utility bill plus tax shall be allocated between the public utility for any unpaid nonutility services, ~~if any,~~ and any other person(s) utilizing the utility's billing system according to the ratio of the amount billed by each unless otherwise allocated by the customer. A public utility shall not disconnect a customer's utility service for nonpayment of a bill for nonutility services.

A person cannot use a public utility's billing and collection systems only to target customers who are problem payers.

December 6, 2002

/s/ Diane Munns

Diane Munns
Chairman